

NEWS RELEASE

**STATE BOARD
OF EQUALIZATION**

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FOR IMMEDIATE RELEASE

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**YEE URGES TAXPAYERS TO EXAMINE
THEIR USE TAX LIABILITIES DURING FILING SEASON**

As we approach the end of the tax season, Acting Member Betty T. Yee of the State Board of Equalization (BOE) today urged taxpayers to look carefully at the use tax line on their state income tax returns.

Added only last year for the 2003 returns, the line allows Californians to report and pay their use tax liabilities on the same form and at the same time as their income tax.

"If you owe use tax from mail-order or online purchases, you now have an easy way to report and pay that use tax," said Yee.

Use tax is the sales tax equivalent for online, mail order or other out-of-state purchases of tangible personal property intended for use in California. California use tax was implemented statewide in 1935, two years after sales tax laws went into effect.

Although California retailers and some out-of-state businesses collect California use tax and pay it to the state for the convenience of their customers, many out-of-state businesses do not. Therefore some online, mail order and out-of-state purchases are mistaken to be tax-free simply because tax isn't collected at the time of purchase.

Reporting and paying use tax as an individual traditionally required filing with BOE, but the convenient use-tax reporting line on income tax returns now streamlines the process for California taxpayers.

Many Californians unknowingly acquire use tax liabilities:

- A Placer County resident who purchases and receives merchandise for \$60 dollars from an online retailer who does not collect tax at Placer County's rate of 7.25% is liable for \$4.35 in use tax.
- Similarly, a consulting business in the City of Torrance that purchases and receives equipment for \$75,000 from an out-of-state retailer who does not collect tax at the City of Torrance's rate of 8.25% is liable for \$6,187.50 in use tax.

Tax was not collected in either case, so the purchaser is liable for the use tax at the local rate where the item is first used. The purchaser can use the line on the California Income Tax return, or file a use tax return with the BOE to report and pay the tax. If the purchaser has a seller's permit from the BOE, then it must report and pay its use tax liabilities on its sales and use tax return.

To find the sales and use tax rate for your area, visit the BOE's website at www.boe.ca.gov or call 800-400-7115.

Also see these BOE publications:

California Use Tax; <http://www.boe.ca.gov/pdf/pub79b.pdf>

California City and County Sales and Use Tax Rates; <http://www.boe.ca.gov/pdf/pub71.pdf>

Acting Board Member Betty T. Yee, of San Francisco, assumed the First District seat on the Board of Equalization in 2004.

The five-member Board of Equalization is a publicly elected tax board. The Board collects nearly \$42 billion annually in taxes and fees supporting state and local government services. It acts as the appellate body for franchise and personal income tax appeals, and also plays a significant role in the assessment and administration of property tax.

Other Board Members include Bill Leonard of Sacramento/Ontario, Second District; Claude Parrish of Long Beach, Third District; Chairman John Chiang of Los Angeles, Fourth District and State Controller Steve Westly.

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